

Työllisyysrahasto, The Employment Fund, Outlook Revised To Negative Following Same Action On Finland

May 8, 2026

Overview

- On April 24, 2026, we revised our outlook on Finland to negative from stable and affirmed our 'AA+/A-1+' sovereign credit ratings.
- We equalize our ratings on Finland's Työllisyysrahasto, The Employment Fund (EF) with those on the sovereign because we believe the institution benefits from an almost certain likelihood of receiving extraordinary government support in the event of financial distress.
- We have therefore revised our outlook on EF to negative from stable and affirmed our 'AA+/A-1+' ratings on the entity.

Rating Action

On May 8, 2026, S&P Global Ratings revised its outlook to negative from stable on Finland-based Työllisyysrahasto, The Employment Fund (EF). At the same time, we affirmed our 'AA+/A-1+' long-term and short-term issuer credit ratings on EF.

Outlook

The negative outlook on EF reflects that on Finland (AA+/Negative/A-1+). Any rating action on the sovereign would result in a corresponding action on EF.

Downside scenario

Beyond a sovereign rating action, we could take a negative rating action on EF over the next two years if we observe an unwinding of EF's role in implementing key public policy, leading to a lower degree of government involvement and support for EF's activities. We view such a scenario as unlikely and expect our ratings on EF to move in line with our ratings on Finland.

Upside scenario

We could raise the ratings on EF after a similar action on the sovereign.

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Rationale

The outlook revision reflects the change in our rating outlook on Finland on April 24, 2026 (see "[Finland Outlook Revised To Negative From Stable On Fiscal And Economic Risks; 'AA+/A-1+' Ratings Affirmed](#)," on RatingsDirect). We consider EF a government-related entity that benefits from an almost certain likelihood of receiving timely and sufficient support from the government of Finland if needed. As a result, we believe the entity's creditworthiness is linked to that of the sovereign. Our assessment of an almost certain likelihood of government support is based on EF's:

- Critical role for Finland's welfare system and in implementing key labor market policy in Finland. EF is the sole entity responsible for funding the country's earnings-related unemployment insurance scheme; and
- Integral link with the Finnish government, as indicated by the government's strong supervision and control over EF and EF's status as an indirect public administration.

We believe there is a low risk that the almost certain likelihood of extraordinary government support for EF will change. Accordingly, we do not assess EF's creditworthiness on a stand-alone basis. We view EF as effectively a department of the government, reflected in its status as an indirect public administration. As a result, EF must comply with the same rules as public authorities. This status not only underlines EF's integral link with the government, but also implies that, if EF did not exist, the government would have to manage EF's functions directly. Eurostat consolidates EF's financial position into Finland's gross general government debt.

EF is the sole entity responsible for funding Finland's earnings-related unemployment insurance scheme, a pillar of the Finnish welfare system. In administering the financing of statutory unemployment allowances, EF plays a central role in managing what is a key component of Finland's social security system. Because of this key public policy role, EF interacts closely with the central government and has enjoyed support from the government to fulfil its statutory tasks during periods of financial stress. The government clearly demonstrated its supportive stance toward EF in 2020 as the COVID-19 pandemic tested the Finnish social security system. The economic shock from the pandemic led to a significant increase in temporary layoffs that prompted an unprecedented rise in statutory benefit payments administered by EF. These developments prompted swift actions from EF, which, thanks to direct financial support from the central government and EF's use of flexibilities within its mandate, allowed EF to fully carry out its statutory responsibilities during this time.

EF is allowed to borrow to secure its liquidity and bridge cyclical swings on its resources, which it did during the pandemic. The pandemic caused a surge in unemployment benefits while contribution income significantly declined. To bridge the gap and secure liquidity, EF placed two bonds of €600 million each in 2020. It has since repaid one and the remaining €600 million bond is due on June 16, 2027. We expect EF to decide on refinancing in tandem with its budget process in the second half of 2026. EF also maintains a €300 million commercial paper program and revolving credit facility of €600 million, both of which were undrawn at year-end 2025, to meet intrayear liquidity needs.

In Finland's earnings-related unemployment benefit, workers that lose their jobs and are members of an unemployment fund receive a percentage of their previous salary. In administering its public role, EF collects mandatory unemployment insurance contributions (UIC) from Finnish employers and employees. EF proposes the level of UIC to the Ministry of Social

Affairs and Health for approval, which is then sent to parliament for final approval. To avoid sharp swings in the contribution rates across economic cycles, EF maintains a business cycle buffer, a counter-cyclical stabilizer that allows it to accumulate reserves during cyclical upturns to draw upon during downturns.

Due to reduced UICs over 2024 and 2025 and increasing unemployment, EF's business cycle buffer has declined over the past few years from its peak in 2023. At year-end 2025, the business cycle buffer stood at €543 million, down from €1.27 billion in 2024 and an exceptionally strong €2.02 billion in 2023. The deterioration was due to a conscious and progressive lowering of the UIC rate from 3.04% in 2023, to 1.61% in 2024 and 1.21% in 2025, in addition to the effects of a weaker-than-expected economy. Given the decrease of the business cycle buffer and uncertain economic prospects, the UICs will increase in 2026. Parliament has approved an increase of the UIC by 0.6 percentage points (pp) to 1.8% for 2026, which translates into an increase of 0.3 pp for employers and employees. In our view, the increase will consolidate EF's financial position. We estimate the rise in contributions will generate about €600 million of revenue and help EF balance its net position at about €600 million at year-end 2026. EF also indicated to the Ministry of Social Affairs and Health in April 2026 that the UIC could be kept at the current level, or be increased by a maximum of 0.3 pp for 2027.

Finland's government has implemented several labor-market reforms since 2023. These involve changes in eligibility for benefits and benefit structures alongside broader reforms aimed at tightening unemployment benefits. These reforms aim to increase employment and reduce structural unemployment but have also reduced the number of people eligible for earnings-related benefits. Yet these reforms have not reduced expenditure sufficiently to meaningfully offset the reductions in income from adjustments made to UIC over 2024 and 2025. However, we recognize that an increase of the UIC by 0.6 pp for 2026 should help balance EF's income and expenditure, with a positive change in net assets of approximately €60 million in 2026. We also recognize that further reforms to the labor market are under consideration. Fundamentally, however, we do not think these reforms dilute EF's relevance and function as a public policy tool.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Finland Outlook Revised To Negative From Stable On Fiscal And Economic Risks; 'AA+/A-1+' Ratings Affirmed](#), April 24, 2026

Ratings List

Ratings List

Ratings Affirmed; Outlook Action

Tyollisyysrahaisto, The Employment Fund, Outlook Revised To Negative Following Same Action On Finland

Ratings List

	To	From
<u>Tyollisyysrahaisto, The Employment Fund</u>		
Issuer Credit Rating	AA+/Negative/A-1+	AA+/Stable/A-1+
Ratings Affirmed		
<u>Tyollisyysrahaisto, The Employment Fund</u>		
Senior Unsecured	AA+	

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